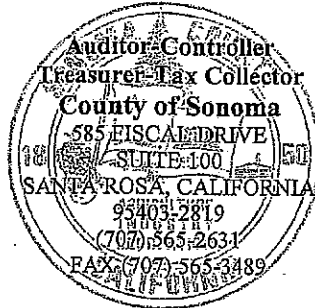


**DAVID E. SUNDSTROM, CPA**  
AUDITOR-CONTROLLER  
TREASURER -TAX COLLECTOR



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**PAM JOHNSTON**  
ASSISTANT  
TAX COLLECTOR/AUDITOR

## Communications Required Under SAS 115

January 20, 2012

Board of Directors  
Sonoma County Agricultural Preservation and Open Space District  
747 Mendocino Avenue  
Santa Rosa, CA 95401

Dear Board of Directors:

In planning and performing our audit of the financial statements of Sonoma County Agricultural Preservation and Open Space District (the District), as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal controls that we consider significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls.

## **Prior Years' Comments**

### **1. Grant Proceeds and Donations**

During the prior year audit, the District received federal funding in the amount of \$5,850,000 towards the purchase of the Jenner Headlands conservation easement. The money was deposited directly into escrow. Since these funds were never deposited with the County Treasurer, the revenue was not recognized. Generally accepted accounting principles require that revenue be recognized even when deposited with a third party. This resulted in an understatement of revenue and capital assets.

During this same period, the District received contributions from other governments in the amount of \$16,000,000 and charitable contributions in the amount of \$7,460,000 for the acquisition of the Jenner Headlands conservation easement. Generally accepted accounting principles require that contributions from other governments and charitable donations be recognized. These receipts were not recognized. These resulted in an understated of revenues and capital assets.

The District has established internal controls to ensure all grant proceeds and contributions, including those submitted directly to third parties (i.e. title companies, landowners, etc.) on the District's behalf are recorded in accordance with GAAP. Additionally, grants received are monitored to ensure compliance and audit requirements, if any, are addressed.

### **2. Expenditure Transactions**

During the 2009-10 audit, the District's review of user codes (coding) on accounting entries was not effective in preventing or detecting errors or omissions in coding. Accordingly, there were instances where items in the General Ledger did not accurately reflect the underlying transactions.

The District has examined the process of reviewing accounting entries with emphasis on ensuring coding is complete and properly applied to all expenditure and capital outlay transactions.

### **3. Capital Assets**

We found in the 2009-10 audit that the District has methods of acquiring conservation easements over properties for which they do not obtain independent appraisals of the interests acquired. These easements historically were valued at the District's cost. In the current year, the District began valuing these assets at fair market value based on either management estimates, or internal appraisals. During the fiscal year ended June 30, 2010, easements with internal appraisals of the interests acquired were not consistently recorded at the internally appraised fair market value.

The District has improved in the consistent application of their internal methods of valuation for properties acquired when independent appraisals are not obtained.

Sonoma County Agricultural Preservation and Open Space District  
January 20, 2012  
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**Current Year Comments**

No new deficiencies were noted.

This communication is intended solely for the information and use of management, and the Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

In closing, we would like to thank Bill Keene and Christine Minkel for their helpfulness and cooperation during the audit of the Sonoma County Agricultural Preservation and Open Space District. If you have any questions, please contact Ann Hargreaves (707) 565-8302.

Sincerely,

*Sonoma County Auditor-Controller*

January 20, 2012